EB-2007-0606
EB-2007-0615

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders approving or fixing a multi-year incentive rate mechanism to determine rates for the regulated distribution, transmission and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF a combined proceeding Board pursuant to section 21(1) of the *Ontario Energy Board Act, 1998.*

ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

TECHNICAL CONFERENCE QUESTIONS OF UNION GAS LIMITED

October 1, 2007

UNION/ENBRIDGE COMBINED PROCEEDING
2008 INCENTIVE REGULATION MECHANISM

EB-2007-0606/EB-2007-0615

Energy Probe Research Foundation:

Technical Conference Questions to Union

Question # 1 – Ref: Decision With Reasons, EB-2005-0001 Enbridge Rates Case

Issue Number: 14.1
Issue: Are there adjustments that should be made to base year revenue requirements and/or rates?

In the EB-2005-0001 Enbridge Rates Case, the Decision With Reasons at Section 5.5.10, stated as follows:

> No evidence has been provided that demonstrates whether the hedging activity had **a material effect on the volatility experienced by customers**, given the effects of QRAM, the PGVA, and equal billing programs over the same period. (emphasis added)

In the EB-2006-0034 Enbridge 2007 Rates Case, the Applicant was requested to complete two charts to allow the Board Panel to more fully assess the impact that their Equal Billing Plan had on price volatility. In this proceeding, we are requesting that Union provide the same information, allowing the Board to explore the price volatility experienced by customers. The Tables compare the payment experience of residential customers on system gas but not on the Equal Billing Plan with residential customers on system gas and participating in the Equal Billing Plan. If the Tables do not fit the exact data captured by Union, please complete them on a best efforts basis.

In this proceeding, in Energy Probe Interrogatory C10.6, Union was asked to complete Table A to demonstrate the Equal Billing Plan impact on price volatility of the hedged portfolio of Union Gas, and to complete Table B to demonstrate the Equal Billing Plan impact on price volatility of the unhedged portfolio of Union Gas.

The figures provided by Union for C10.6 Table A and Table B in the columns with headings “Equal billing price per 273 M3 with RM”, “Quarterly price change per 273 M3”, “Equal billing price per 273 M3 without RM”, and “Quarterly price change per 273 M3” respectively do not appear to provide the information requested. The figures provided in those columns would indicate that a customer served under the equal billing plan received prices that changed quarterly.

Using historical data for a customer using an annual average amount of 273 M3 per month and enrolling in September, please indicate what this customer would have seen on their bill as the rate charged under equal billing. Please redo the charts with the equal billing prices either seen by customers, or, in the case of Table B, that would have been seen by customers had RM not been used including the quarterly price change.

Question # 2 – Ref: Decision With Reasons, EB-2005-0001 Enbridge Rates Case

Issue Number: 14.1
Issue: Are there adjustments that should be made to base year revenue requirements and/or rates?

In the EB-2005-0001 Enbridge Rates Case, the Decision With Reasons at Section 5.5.10, stated as follows:

> The question that remains is the extent to which Enbridge's risk management program is redundant or represents a useful and **cost effective tool** to reduce consumer price volatility in a fair and reasonable way. (emphasis added)

In this proceeding, to better inform the Board Panel on the cost effectiveness of the Union Risk Management Program, Union was requested to fill in the Table below, similar to a Table supplied in the EB-2006-0034 Enbridge Rates Case.

Year	Union/Volume of Risk of Management Activity (m^3)	Cost of Risk Management – Purchases/Options (Gain/Loss) $Millions	Average AECO Spot Price of Gas Over Same Period (C$/$10^3m^3$)	Impact of Risk Management on PGVA Price (% + or -)
2006				
2005				
2004				
2003				
2002				

The figures provided by Union in their answer for C10.8 claim to show that the “Impact of Risk Management on PGVA Prices” is a cost saving of up to 35% in a particular year. Even in years when the risk management program is indicated to have had a net cost, the impact is indicated as a percentage savings to customers. For example, in 2003 Union claims that Risk Management gained $30.4 million while driving down the PGVA by 35%. On the other hand, in 2006, while suffering a loss of $22 million, Union was able to drive down the PGVA by 25%.

(a) Please provide the calculation for the final column of the table provided in response to C10.8.

(b) Please update the figures provided in the answer for C10 for year-to-date information.